

Employee Investment Advisory Council
April 13, 2005 Recommendations
457 Deferred Compensation Plan

Recommendation #1:

Adopt the Neuberger Berman High Income Bond Fund to replace the Columbia High Yield Bond Fund.

Background:

On March 9, 2005, the EIAC recommended that the Columbia High Yield Bond Fund be discontinued because:

- 1) it had been on "Watch" for a year and
- 2) continued to fall below the benchmarks established in the Investment Policy Statement.

Additionally, the fund is not tracking the index relative to style and credit quality of investments.

On March 24, 2005, the Board accepted the EIAC recommendation and authorized a manager search for a high yield bond fund replacement option.

EIAC Rationale for Neuberger Berman High Income fund:

Based upon manager search conducted by Arnerich, Massena & Associates, the Neuberger Berman High Income fund:

- has good up and down side market capture
- is less volatile (than other presented funds)
- has low expense ratio

EIAC vote: 8 – 1

The opposing vote would have preferred to wait for more information regarding another fund option that, at this time, did not have 3-years of data available. 3-years is the minimum required operating history in the Investment Policy Statement.

Board Motion:

Option1: Accept the EIAC recommendation and adopt the Neuberger Berman High Income Bond fund to replace the Columbia High Yield Bond fund.

Option 2: Board pleasure

Recommendation #2:

Add the Munder Small Cap Value Y fund.

Background:

On March 9, 2005, the EIAC recommended authorizing Arnerich, Massena & Associates to conduct a small cap value fund search. The reasons for conducting this search were:

- 1) both of the current small cap funds in the Plan are in a “watch” status and,
- 2) the current fund (Neuberger Berman Genesis) that fills the small cap value “slot” appears to be drifting in a mid cap fund category.

EIAC Rationale for adding the Munder Small Cap Value Fund:

The Munder Small Cap Value fund is performing well and has a good track history. It will provide a good small cap value opportunity or vehicle, specifically for new Plan participants who may not want to use either of the other small cap investment options due to their watch status.

EIAC vote: 9 – 0

Board Motion:

Option1: Accept the EIAC recommendation to add the Munder Small Cap Value Fund Y as an investment option in the 457 deferred compensation plan.

Option 2: Board choice